FISCAL NOTE

HB 711 - SB 1059

February 22, 2005

SUMMARY OF BILL: Authorizes deductions of 2.0% of the first $2,500 for each report, 1.15% of any amount over $2,500 for each report, up to a maximum of $25 per report, as compensation to dealers for accounting for and remitting sales and use taxes to the Department of Revenue. The maximum $25 deduction does not apply to out-of-state dealers making sales in Tennessee and voluntarily collecting and remitting sales and use tax on tangible personal property sold to Tennessee customers.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $161,000 One-Time
Decrease State Revenues – $14,100,000

Assumptions:

- This bill allows in-state dealers to deduct vendor's compensation up to a $25 maximum.
- Out-of-state dealers are not limited to the $25 maximum and are unaffected by this bill.
- After July 1, 2005, which is also the effective date of this bill, returns are to be filed on an entity basis rather than on an account basis.
- Estimated number of entities is 47,000 based on FY2004 sales tax collections data.
- No entities are considered delinquent on tax remittals.
- Estimated decrease in state revenues as a result of in-state dealers taking the maximum $25 deduction is $14.1 million (47,000 entities X $25 deduction X 12 monthly tax remittals = $14,100,000).
- One-time increase in state expenditures for software modifications and computer programming changes is estimated at $161,000.
- This bill would put the state out of compliance with the vendor compensation provisions of the Streamlined Sales Tax Agreement.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director